



STATE OF RHODE ISLAND

**ENERGY EFFICIENCY &  
RESOURCE MANAGEMENT COUNCIL**

CONSULTANT TEAM

# Review of Least Cost Procurement Standards Issued by RI PUC

**Presented By:** EERMC Consultant Team

**Date:** June 18, 2020



# Presentation Outline

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- Review of Context and Process
- Details on changes from current version
  - General; EERMC-specific; and Structural
  - Review of 15 recommendations provided by EERMC to PUC
- Discussion on proposed comments to provide to PUC



# Review of Context & Process

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- The 3<sup>rd</sup> Triennial update of LCP Standards
  - Historically aligned with setting 3-year Targets
- PUC's responsibility to issue updates, with stakeholder input considered (per R.I. Gen. Laws § 39-1-27.7(a))
- PUC opened Docket #5015  
<http://www.ripuc.ri.gov/eventsactions/docket/5015page.html>
- Technical Sessions held on 3/13/20 and 4/9/20
- Final draft LCP Standards issued by PUC on 5/29/20
- Deadline for Comments -- June 19, 2020



# Changes from current version

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## General changes:

- Made enhancements to formatting and structure of documents:
  - added Table of Contents;
  - clearer divisions into Chapters (from two to six separate chapters)
  - Expanded list of “definitions,” applicable to both EE and SRP
- Leaned toward not accepting many of the specific requests for clarity and granularity from stakeholders. Seems to defer specificity to Planning phases.



# Changes from current version

## EERMC-specific changes:

- Chapter 2 was added, which more clearly details specific roles/requirements for EERMC and OER in EE Target setting & SRP process recommendations
  - Most notably, clarifies that EERMC “may” identify strategies to achieve Targets (primarily utility’s responsibility) and “shall” report *IF* Targets factored in reliable, prudent, environmentally responsible, and less than cost of supply. If those factors are not sufficiently quantifiable, the EERMC does not need to prematurely apply them.
- Clarified EERMC role for SRP review (missing in previous versions) to be consistent with prescribed EE roles



# Changes from current version

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## Other changes:

- Programs must be c-e, not just portfolio
- Grid's option to combine 3YP and 1st Annual Plan
- Addition of consideration of Multi-year strategies & budgets
- Moved detailed language on Performance Incentives to 3YP section



# Proposed PUC Comments

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At the March, 2020 EERMC meeting, the EERMC voted to approve 15 items for PUC consideration

The following tables list those items, along with C-Team input on how, if and/or to what degree they were covered in the proposed update, to support Council input on response to PUC due June 19

Items in **red** indicate not; **yellow** indicates indirectly and perhaps not sufficiently; **green** confirms it is included



# Proposed PUC Comments

1	Ensure that the definition of Energy Efficiency supports <i>active</i> demand response for at least gas and electric, <i>heating electrification</i> , and energy savings measures for all fuels	<ul style="list-style-type: none"> <li>- “Active demand” was not specified</li> <li>- Only Regulated gas &amp; electric referenced clearly in definition</li> </ul>
2	Clearly allow the energy efficiency programs to deliver location-specific energy efficiency & <i>demand response</i>	<p>p. 9 – “... and deliver system-wide and <b>location-specific</b> savings.”</p> <p>* DR text unchanged, but sufficient</p>
3	Require on-going review of the RI Test used by the Energy Efficiency Programs	Reinforces reference to Docket 4600, which includes process for vetting benefits to include
4	Provide more details on reporting requirements and accounting practices	Did not expand from current version, but Grid still directed to work in consultation with EERMC. Also, Division has expanded reporting requirements.





# Proposed PUC Comments

5	<p>Ensure that the programs are comprehensive (both short and long-term savings measures), space (state-wide and location-specific offerings) and participation (equitable access for all types of customers, especially IE)</p>	<p>- Generally covered in Chapters 3 – 5 relating to EE and SRP 3-year and annual plan objectives</p> <ul style="list-style-type: none"> <li>• Income eligible not specifically called out</li> <li>• Requirement for Programs to be c-e may inhibit this objective</li> </ul>
6	<p>Expansion of definition of <b>reliable</b> to explicitly include references to workforce development, program scalability, system planning coordination, and Company program management capabilities</p>	<p>Generally, expanded to assure the EE measures will work and deliver the calculated benefits</p> <ul style="list-style-type: none"> <li>✓ Specifically added workforce and scalability</li> </ul>
7	<p>Expansion of definition of <b>prudence</b> to include a reference to being mindful of bill impacts to all customer classes</p>	<p>P. 5 – “...shall assess how: the entire investment proposal affects the risks of ratepayers and the distribution company; ...shall provide rate impacts to a range of customer types and usage levels, and may provide bill impacts...”</p>



# Proposed PUC Comments

8	<p>Include clear direction for “equity requirements” including more clarity on definition of equity, especially as it relates to income eligible customers</p>	<ul style="list-style-type: none"> <li>- p. 9 - Slight modification beyond “all customers”: added “...equitable opportunities... and a fair allocation of costs and benefits.”</li> <li>- Does not reflect full stakeholder input provided, esp. for income eligible</li> </ul>
9	<p>Explicit requirement to conduct potential studies at least every 6 years to inform Targets setting process every 3 years</p>	<p>While not explicitly requiring a potential study, the EERMC targets are directed to cover “a three- to six-year time period.”</p>
10	<p>Clearly define what to include in 3-Year &amp; Annual Plan filings – e.g. explanations of variances from Targets; EM&amp;V; coordination with pilots, demonstrations and assessments</p>	<p>Sections on both 3YP and annual plan were both expanded by ~1 page each</p>
11	<p>Coordination of performance incentive approaches with other Company earning mechanisms</p>	<p>p. 6 “The PI shall be consistent with the PUC’s Guidance on Principles for the Development and Review of Performance Incentive Mechanisms adopted in Docket No. 4943.”</p>



# Proposed PUC Comments

12	Desire for greater / explicit coordination between EE plans and other utility planning activities and processes	p.18 “The Three-Year SRP Plan should be integrated with the distribution company’s distribution planning process and be designed, where possible, to complement the objectives of Rhode Island’s energy policies
13	Clarify the Council’s role in reviewing SRP Plans – the EE portion of the standards clearly lists all the EERMC’s role	Chapter 6 includes specific EERMC roles for EE and for SRP (seven for each)
14	Change the timing so that SRP Plans can be filed in December with Infrastructure, Safety and Reliability (ISR) Plans	Changed SRP’s 3YP filing date to on or before November 21, 2020 and triennially thereafter. Specific SRP proposals (similar to annual plans) are directed to “... be filed alongside, but separately from, annual SR Plans.”
15	Ensure that SRP includes focus on coordinating a comprehensive map of systems planning and management	Added language indirectly supports this objective



# Proposed PUC Comments

## Potential recommendations to provide PUC:

- Reinforce request for language relating to: Active demand and demand response; *heating electrification*, and energy savings measures for all fuels
- Request specific inclusion of language relating to the Income Eligible sector
- Request more specific language regarding “equity” to more fully reflect stakeholder input provided at Technical Sessions
- Request reconsideration of requiring “programs” be cost-effective
- Provide note that the EERMC respects the efforts and input provided by stakeholders during Tech Sessions, and encourage PUC to revisit those recommendations
- Generally recognize the enhancements made to improve the document, esp. clarifying the EERMC’s role
- Other?



# DISCUSSION?





# Appendix - Equity

Proposed language from OER, developed with EERMC member input:

- i. The distribution company shall assess investment equity and direct, indirect, short-term, and long-term outcomes for all people.
  - a. For programs or services, the distribution company shall, at minimum, assess the equitability of the program's or service's access, participation, and distribution of funding. Equitable access shall include, but is not limited to, particular and sustained attention to households, businesses, and neighborhoods that have historically been underrepresented in energy efficiency programs.
  - b. The distribution company shall
    - i. identify groups that have historically had low program participation and outcomes;
    - ii. present quantifiable metrics to describe how an investment is equitable;
      - 1. identify instances where these metrics and investments are not applicable;
    - iii. describe how an investment is equitable and describe strategies and programs to eliminate barriers to participation and benefit for those groups; and
    - iv. describe how an investment will help to reduce and/or eliminate barriers that hinder equitable participation and outcomes.



# Appendix – Combined filing

## Combined filing option

- v. Combined filing with the first year of the Annual EE Plans
  - The distribution company may file all aspects of the Annual EE Plan required in Section 3.4 and seek approval of these additional aspects of the Annual EE Plan.
  - The distribution company will make clear to the Council its decision to file a combined EE Plan **on or before July 1, 2020** and triennially thereafter.
  - If this option is triggered, the PUC Order will then:
- iv. If the first year of Annual EE Plans is filed in combination with the Three-Year EE Plan:
  - if applicable, the PUC may approve a final budget for the first year of the Annual EE Plans;
  - annual goals, funding plans, and rates for Energy Efficiency and Conservation Procurement programs and portfolios that meet the Standards herein;
  - The PUC may deny approval of measures that do not meet the standards herein and that are not critically linked to the cost-effectiveness of other investments that are otherwise consistent with the Standards herein.



# Appendix – Multi-year

## 3YP Multi-year Strategies

- The distribution company will identify investment strategies for which implementation and budget requests (or revenue collection) are expected to span multiple years.
- In addition to the initial budgets and goals required in Section 3.3.B.i.c.2, the distribution company will separately provide initial budgets and goals for multi-year strategies and may provide a separate performance incentive plan for these multi-year strategies that is consistent with the requirements of Section 3.3.B.ii.

## *Annual Plans*

- The distribution company will identify investment strategies for which implementation and budget requests (or revenue collection) are expected to span multiple years.
- In addition to the budgets and targets required in Section 3.2.A.viii.b, the distribution company may separately provide budgets and targets for multiyear strategies.





# Appendix – PIM structure detail in 3YP

## ii. Performance Incentive Plan Structure

- a. The distribution company will propose an incentive structure specific to the energy efficiency and conservation strategies in the EE Three-Year Plan and consistent with these Standards.
- b. The following aspects related to the design and setting of a shareholder incentive for Energy Efficiency and Conservation Procurement will be determined in the Three-Year EE Plan:
  - (1) the shared-savings percentage shareholders are eligible to earn;
  - (2) the costs and benefits that count toward calculating shared savings;
  - (3) the nature of achievement of goals (e.g., annual versus cumulative);
  - (4) if applicable, minimum and maximum savings thresholds in the form of percentages (e.g., 75% of the cumulative three-year goals); and
  - (5) if applicable, determination or definition of exogenous events that must be excluded from the final determination of the shareholder incentive.
- c. Additional factors related to the shareholder incentive not listed in paragraph b above may be determined in the Three-Year or Annual EE Plans, if necessary.